

RA3

UNAPPROVED MINUTES
CITY OF MILPITAS

Minutes: Regular Meeting of Milpitas Redevelopment Agency (Including
Joint Meeting with City Council)
Date of Meeting: January 20, 2004
Time of Meeting: 8:08 p.m.
Place of Meeting: Council Chambers, City Hall

**RA1.
CALL TO ORDER**

Mayor Esteves called to order the regular meeting of the Milpitas Redevelopment Agency, meeting jointly with the City Council, at 8:08 p.m.

**RA2.
ROLL CALL**

Present were Mayor Esteves, Vice Mayor Dixon, and Agency/Councilmembers Gomez, Livengood, and Polanski.

**RA3.
MINUTES**

MOTION to approve the Redevelopment Agency minutes of January 6, 2004, including joint meeting with the City Council, as submitted.

M/S: Gomez, Polanski.

Ayes: 5

**RA4.
AGENDA**

MOTION to approve the Agenda and Consent Calendar as submitted.

M/S: Gomez, Polanski.

Ayes: 5

***RA5.
CIVIC CENTER PROJECT
CLOSEOUT/RELEASE OF
RETENTION**

Approved release of retention in the amount of \$30,000 for Royal Glass.

**RA6.
FY 03-04 MID-YEAR
BUDGET MODIFICATIONS**

Finance Director Emma Karlen reported that the City's current budget policies require that any additional appropriation to a department or a project budget or re-appropriation of money from one fund to another must be approved by the City Council; staff was bringing forth the mid year budget adjustments for the Council's consideration and approval; and the mid-year adjustments consisted of three categories: (1) Transfer of money between funds; (2) Additional budget appropriations to cover expenditures; and (3) Monies returned to fund balances. Ms. Karlen explained that \$5.9 million was requested to be transferred from the RDA Project fund to the Housing Reserve Fund for better accounting and interest income allocation and the amount represented the Housing Fund portion of the 1997 Redevelopment Agency Tax Allocation Bond.

Ms. Karlen explained that the second type of budget adjustment was additional appropriations to increase either the department or project budget where additional funding was needed to cover expenditures; the requests submitted were based on changing needs and conditions that were not anticipated at the time of budget preparations; some of the funding requests would be offset by additional revenue (i.e., payment from private job developers, reimbursements, grants, or developers fees for projects); and other funding requests required the use of fund balances. Ms. Karlen further explained that the third type of budget adjustment was to return money to Fund balances primarily due to completion of CIP projects or the ability of other funding sources such as grants. Ms. Karlen stated the overall impact to the City and the Agency budget, based on the budget requests, was \$28,090,017, which included a net reduction of \$23,193 to the General Fund unreserved, undesignated fund balance; and there were sufficient balances in the General Fund and the Agency Fund to accommodate the request.

Councilmember Livengood, referring to the resolutions amending the Classification Plan, inquired why they were before the Council, as they seemed to be increasing salary ranges. Ms. Karlen explained that although the items had a nominal budget impact at this time, they were related to either increasing a salary range or because of the change of personnel, which has to be brought to the City Council, and staff was using the mid-year budget to bring it to the Council. Councilmember Livengood said he did not understand why only the five

positions were being done and not the rest of the City; what was it about the positions that required the increase in the proposed ranges. City Manager Wilson explained that the Deputy City Clerk position was to increase the range based on a survey of the position in relation to comparable positions in the region, and it was being requested because it was found that that position was way below market in our region; the reason for it being done at this particular time was to address merit opportunities. Addressing item 3, Mr. Wilson said the Council's policy had been to aggressively eliminate car allowances as a separate identified program; the remaining car allowances in top staff were being asked to be included into the range of the pay as the Council had done to other classifications in the past; and this would eliminate all car allowances except for two union positions that have to be negotiated.

Mayor Esteves inquired what was the actual fiscal impact of the personnel changes. Ms. Karlen stated the only one that had fiscal impact was the Deputy City Clerk, which was approximately \$18,000 for the whole fiscal year; the rest of the positions already included car allowance in the current year budget and there was no budget impact; however, there was a negligible PERS contribution impact.

Mayor Esteves inquired if the position was the only one that needed to be adjusted. City Manager Wilson responded that on a regular basis that corresponds to the annual adoption of the budget, the Human Resources Department did reviews of the pay ranges in relation to market and to the salary proposals that were made and some positions were brought to attention by Department/Division Managers/Directors for special survey. Mayor Esteves expressed concern that this could be the first request in a line of requests that would be forthcoming. City Manager Wilson said that these were very rarely brought before the Council out of sequence; he did not believe that it had been done more than twice in his tenure with the City; it was not a common practice; wanted to make adjustments when there were substantial differences in position compensation in the market; and with regard to the salary adjustments to the car allowances, that would be a one time only event.

Mayor Esteves stated he did not have a problem as long as there would be no more until the budget hearing. City Manager Wilson said he was not aware of anybody who was recommending any consideration outside the budget cycle for the FY04-05 year.

Councilmember Livengood requested clarification that the people on the second resolution were not getting a pay increase. City Manager confirmed that was correct. Councilmember Livengood, referring to the first resolution, inquired if the person would be getting the raise of approximately \$18,000. City Clerk Blalock stated it was her understanding that the person would not go to the top of the range, but believed it would be achieved in 5% merit increments. Human Resource Direct Rosenquist confirmed that was the intention.

Councilmember Gomez stated he would be supporting the staff recommendation; referring to the large range, he felt it indicated something was wrong and that person was not being paid the scale; he did not consider it a raise so much as an adjustment for the individual; and requested a copy of the survey for his own record. Ms. Rosenquist stated she would be happy to supply that for Councilmember Gomez and further stated an internal alignment review had been done to create an opportunity for career ladders for individuals; in this particular incident, it was a position that was part of Senior Management and was also the precursor to the City Clerk with the understanding that if a person were to be in that position, then they could promote to City Clerk; staff wanted to afford an opportunity to be able to promote into this position internally if that were available, and a pay increase was desired in order for employees to do that, and internal alignment also weighed heavily on the decision.

MOTION to:

1. Approve the Fiscal Year 2003-04 mid-year budget transfers and appropriations as itemized in the budget change form included in the Agency/Council's agenda packet.
2. Adopt Resolution Nos. 7376 and 7677 to amend Resolution 1626, the Classification Plan.

M/S: Livengood, Gomez.

Ayes: 5

RA7.

Finance Director Karlen presented the Financial Status Report for the six months ended

FINANCIAL STATUS REPORT

December 31, 2003, reporting that the regional unemployment rate was higher than the Nation and the State and sales tax revenue continued to decline in Santa Clara County. Ms. Karlen reviewed General Fund revenue reporting that all major revenues were down approximately 13 percent compared to the same time period last year. Ms. Karlen also reviewed revised General Fund revenue projections at \$3.95 million below the adopted budget due in large part to the permanent loss of motor vehicle in lieu fees this fiscal year and also a reduction in sales and use tax. Ms. Karlen reviewed General Fund expenditures reporting that as of the end of December, budgeted expenditures should be \$30.5 million (50 percent of \$61 million) but were slightly under budget at 47 percent, representing a year-to-date savings of approximately \$1.8 million.

Councilmember Gomez asked for clarification that as of now, the City has only collected approximately \$600,000 in motor vehicle fees. Ms. Karlen responded right now, the City is not able to collect \$857,000 and only one-third of the motor vehicle fees had been remitted.

Mayor Esteves said he would like to see a slide comparing General Fund revised revenues to the same time for FY 2003. Ms. Karlen referred to the schedule attached to the package the Council received showing FY 2003 General Fund revenue at \$39.4. Mayor Esteves asked if a table comparing adjustments could be provided. City Manager Wilson commented that the projections were based upon experience during the first half of this year and staff could show what was occurring at the same time last year; the problem was that the \$1 million just taken from VLF was the largest distortion in these numbers at this point; if we had that back, you would see the reduction in projections a bit less. Mr. Wilson further commented that it represented a half year on the expenditure side and once again the staff has done a very positive job in coming in significantly under budget; if we can maintain three to five percent at the end of the year, the \$3.95 million gap would be closed down with savings at about \$3.6 million, if the current savings rate was maintained.

Councilmember Polanski commented that the City lost \$1 million in VLF this year and based on everything she had heard, the vehicle license fees were probably permanently lost forever. City Manager Wilson responded staff really didn't know but the best estimate was that money would be returned to cities, as promised by the Davis proposal, in 2006; cities hadn't heard anything about Governor Schwarzenegger proposed budget yet; across the state cities are lobbying for a commitment for restoration like was given to the schools; the \$1 million number Milpitas lost is \$10 million for San Jose, so you can see how the impacts will hit cities across the state.

Councilmember Gomez asked what happens if the bond doesn't pass; did staff have any idea what Milpitas will be losing? Mr. Wilson said it wouldn't have any impact on the VLF because the commitment at this point by the Legislature and the Governor is for restoration; they are going to pay for that by the Governor's proposal by permanently taking property tax in almost the same amount; the difficult issue with regard to the bond proposal is that it will be amortized by one-fourth of city and county sales tax, and for Milpitas it would amount to approximately \$3 million, it's a very complicated program and the bond would have to be paid off by a new funding stream. Councilmember Gomez, commenting on capital projects, said for budget time he would be interested in seeing some long-term strategy as to how we are going to pay for operating and maintenance costs.

Ms. Karlen reviewed the proposed budget dates for Fiscal Year 2004-05 reporting that only May 11 and May 13 were non-regular Council meeting dates.

MOTION to note receipt and file.

M/S: Gomez, Polanski.

Ayes: 5

RA8. ADJOURNMENT

There being no further Redevelopment Agency business, Mayor Esteves adjourned the Redevelopment Agency meeting at 9:04 p.m.

Gail Blalock, Secretary/City Clerk